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United States Telephone Association

TELEPHONE STATISTICS 1987

For the year 1986

VOLUME 1—1987 EDITION

UNITED STATES TELEPHONE ASSOCIATION

The United States Telephone Association was organized in 1897 for the purpose of promoting the general welfare of the individual firms and corporations engaged in providing independent telephone service in cities, communities and rural areas in the United States and its territories as well as the manufacturers and suppliers of equipment and material needed to meet these service requirements. The Association was incorporated under the laws of the state of Illinois in 1915. In 1984 all the Bell Companies joined the Association.

One of the activities engaged in by the Association in serving its members is that of publishing annually a volume containing statistical data and other information relating to the telephone industry.

The format and extent of the statistical data and other information have been changed from time to time in order to enhance the usefulness of this publication.

We wish to express appreciation to those companies which have contributed to the publication of the volume by submitting underlying operating data and other information.

July 1987 *United States Telephone Association*

STATISTICS

OF THE

TELEPHONE INDUSTRY

Data compiled by

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Manager for Membership Affairs

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By United States Telephone Association

SCOPE

The information contained in this Annual Statistical Volume is based on information submitted to the United States Telephone Association by 650 companies (Independent Class A 614, Bell Companies 24 and Class B 12). These companies represent the following percentage of the total telephone industry.

Companies	46.58
Exchanges	87.59
Employees	99.67
Access Lines	99.36
Plant	99.43
Operating Revenues	98.89

For its accounting purposes the Federal Communications Commission has established the following classifications based on annual operating revenues:

Class A	$250,000 and over
Class B	$100,000-$249,999

Due to variations in the number of companies reporting for the periods involved, as well as changes in individual company classification, care should be exercised when making comparisons based upon data contained herein.

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STATISTICAL SUMMARY OF THE TELEPHONE INDUSTRY IN THE UNITED STATES

	Independents	Bell System (1)	Total Bell & Independents
		ACCESS LINES (000 Omitted)	
1986	25 196	97 007	122 203
1985	24 330	93 945	118 275
1984	23 020	91 454	114 474
1983	22 331	89 042	111 373
1982	21 672	86 921	108 593
1981	21 429	85 987	107 416
1980	20 808	83 884	104 692
1979	20 078	81 400	101 478
1978	19 246	78 366	97 612
1977	18 345	75 125	93 470
		OPERATING COMPANIES	
1986	1 380	24	1 404
1985	1 402	24	1 426
1984	1 416	24	1 440
1983	1 429	24	1 453
1982	1 432	24	1 456
1981	1 459	24	1 483
1980	1 483	24	1 507
1979	1 488	24	1 512
1978	1 527	24	1 551
1977	1 556	24	1 580
		EXCHANGES	
1986	11 777	7 623	19 400
1985	11 441	7 393	18 834
1984	11 068	7 314	18 382
1983	11 070	6 870	17 940
1982	11 074	6 874	17 948
1981	11 086	6 872	17 958
1980	11 040	6 717	17 757
1979	11 050	6 654	17 704
1978	11 053	6 705	17 758
1977	11 045	6 711	17 756

(1) Includes Cincinnati Bell and Southern New England Telephone

STATISTICAL SUMMARY OF THE TELEPHONE INDUSTRY IN THE UNITED STATES

	Independents	Bell System (1)	Total Bell & Independents
TOTAL INVESTMENT IN PLANT ($000 Omitted)			
1986	$50 691 898	168 008 759	$218 700 657
1985	49 069 304	158 219 643	207 288 947
1984	45 850 000	147 929 405	193 779 405
1983	44 500 000	154 772 267	199 272 267
1982	41 500 000	150 245 954	191 745 954
1981	38 298 000	139 625 294	177 923 294
1980	35 300 000	127 162 862	162 462 862
1979	31 644 000	116 016 484	147 660 484
1978	27 788 000	105 497 839	133 285 839
1977	$25 130 000	96 356 312	$121 486 312
TOTAL OPERATING REVENUES ($000 Omitted)			
1986	$18 469 107	63 896 509	$82 365 616
1985	17 245 000	61 179 967	78 424 967
1984	16 000 000	57 867 566	73 867 566
1983	14 875 000	64 027 379	78 902 379
1982	13 880 000	61 193 733	75 073 733
1981	12 206 000	55 283 295	67 489 295
1980	10 475 000	48 349 267	58 824 267
1979	9 240 000	43 237 949	52 477 949
1978	8 085 000	39 029 880	47 114 880
1977	$7 115 000	34 595 057	$41 710 057
EMPLOYEES			
1986	165 357	506 643	672 000
1985	169 980	525 007	694 987
1984	179 944	556 561	736 505
1983	186 800	691 838	878 638
1982	192 100	797 525	989 625
1981	197 200	831 151	1 028 351
1980	194 000	827 391	1 021 391
1979	190 000	816 624	1 006 624
1978	179 000	786 658	965 658
1977	167 000	750 198	917 198

Due to the divestiture of the Bell System in 1984, the 1984 and 1985 figures shown for the Bell's Plant and Revenue are not comparable with prior years.

(1) Includes Cincinnati Bell and Southern New England Telephone

STATISTICAL SUMMARY OF THE INDEPENDENT TELEPHONE INDUSTRY IN THE UNITED STATES

	Reporting Companies	Non-Reporting Companies	Total
ACCESS LINES (000 Omitted)			
1986	24 164	1 032	25 196
1985	23 430	900	24 330
1984	22 069	951	23 020
1983	21 077	1 254	22 331
1982	21 146	526	21 672
1981	20 561	868	21 429
1980	19 412	1 396	20 808
OPERATING COMPANIES			
1986	626	754	1 380
1985	653	749	1 402
1984	631	785	1 416
1983	678	751	1 429
1982	754	678	1 432
1981	768	691	1 459
1980	765	718	1 483
1979	755	733	1 488
1978	761	766	1 527
1977	757	799	1 556
EXCHANGES			
1986	9 409	2 368	11 777
1985	9 439	2 002	11 441
1984	8 984	2 084	11 068
1983	9 095	1 975	11 070
1982	9 661	1 413	11 074
1981	9 629	1 457	11 086
1980	9 462	1 578	11 040
1979	9 399	1 651	11 050
1978	9 231	1 822	11 053
1977	9 241	1 804	11 045

STATISTICAL SUMMARY OF THE INDEPENDENT TELEPHONE INDUSTRY IN THE UNITED STATES

	Reporting Companies	Non-Reporting Companies	Total
TOTAL INVESTMENT IN PLANT ($000 Omitted)			
1986	$49 455 773	1 236 125	$50 691 898
1985	47 369 304	1 700 000	49 069 304
1984	43 989 911	1 860 089	45 850 000
1983	42 341 015	2 158 985	44 500 000
1982	40 548 413	951 587	41 500 000
1981	37 574 849	723 151	38 298 000
1980	34 099 864	1 200 136	35 300 000
1979	30 899 236	744 764	31 644 000
1978	26 830 699	957 301	27 788 000
1977	$24 256 743	873 257	$25 130 000
TOTAL OPERATING REVENUES ($000 Omitted)			
1986	$17 555 232	700 768	$18 256 000
1985	16 684 256	560 744	17 245 000
1984	15 403 343	596 657	16 000 000
1983	14 309 386	565 614	14 875 000
1982	13 445 249	434 751	13 880 000
1981	11 859 909	346 091	12 206 000
1980	10 176 779	298 221	10 475 000
1979	9 073 145	166 855	9 240 000
1978	7 806 836	278 164	8 085 000
1977	$ 6 864 461	250 539	$7 115 000
AVERAGE DAILY CONVERSATIONS (000 Omitted)			
1986	243 125	8 750	251 875
1985	218 010	8 000	226 010
1984	201 371	8 629	210 000
1983	199 195	10 005	209 200
1982	196 946	4 854	201 800
1981	197 331	3 769	201 100
1980	187 474	4 526	192 000
1979	179 554	3 446	183 000
1978	163 078	5 922	169 000
1977	153 670	5 630	159 300

CHAIRMAN'S MESSAGE

Since that last issue of Telephone Statistics, there have been significant developments in the telecommunications arena that will most certainly affect the future of our industry. It has also become evident, that as the telephone industry emerges from the shadow of divestiture, it is one of the nation's most dynamic market segments — facing a future that holds great vitality and promise.

In 1986, we saw the telephone industry come together in an unprecedented spirit of cooperation to produce the final draft of the Unity 1-A Agreement. Having been introduced into the regulatory process, this agreement presented a comprehensive framework for substantive regulatory reform.

The subscriber line charge (SLC) was further adjusted in 1986 from $1 to $2. As with the first dollar, the second was matched by a corresponding reduction in long distance rates. At year's end, the Federal Communications Commission ordered AT&T to flow through access expense savings related to the $1 increase in the SLC. This translated into a reduction in long distance rates of approximately $1.85 billion.

Early in 1987, the Federal-State Joint Board addressed the principles of the Unity 1-A Agreement and in a unanimous decision, recommended that the FCC enhance universal service protections, guarantee long-term support for small telephone companies and continue to equitably distribute the cost of local telephone service.

On April 16, 1987, the FCC adopted the Joint Board's recommendations, which included an increase in the SLC by up to $1.50, in three phases, over a two-year period beginning in July 1987 and ending in mid-1989.

In responding to USTA's Small Company Petition, the Commission issued an order to reduce some of the access-related regulatory and administrative burdens of small telephone companies. The FCC also approved the revision of the Uniform System of Accounts, based largely on the recommendations of USTA. It also considered two unheralded, but enormously significant changes in separations, to deal with Category 6 central office equipment and to streamline the Separations Manual itself.

On other issues, the findings of USTA's second Gallup Poll indicate that most customers believe their local telephone company is providing high quality service at reasonable prices. In fact, the findings of the 1986 study mirror the positive results of the poll conducted the year before.

As 1986 drew to a close telephone penetration rates continued to rise. The Census Bureau reported that 92.4% of the nation's households were receiving basic local telephone service (as of November 1986) — up from 92.2% as reported in March of that year.

As the telephone industry continues to mature and expand, USTA remains committed to the needs and concerns of its members. We look forward to future success in meeting the regulatory and legislative challenges that lie ahead.

Bennett R. Miller
USTA Chairman

VITAL FACTS ABOUT THE COMMUNICATIONS INDUSTRY

- Total companies now number 1,404 with 672,000 employees.
- Access Lines now in service number 122,203,000.
- Investment in plant and facilities is now $218.7 billion and total plant investment is the equivalent to $325,446 per employee. About $21,037,551,000 was spent in 1986 for upgrading service and facilities; and the estimated amount for 1987 will be about $21,671,645,000.

THE TOP 100

(Largest Companies Reporting to USTA, Including Holding Companies)

In Order of Access Lines As of January 1, 1987	Access Lines	Operating Revenues
1. Bell Atlantic Corporation, *Philadelphia, Pennsylvania* §•	15,508,973	$ 9,921,000,000
2. BellSouth Corporation, *Atlanta, Georgia* §•‡	15,045,900	11,444,100,000
3. Ameritech Corporation, *Chicago, Illinois* §•	14,755,000	8,500,000,000
4. NYNEX Corporation, *New York, New York* §•	13,962,255	10,394,582,176
5. Pacific Telesis Group, *San Francisco, California* §•	12,068,564	8,548,640,269
6. Southwestern Bell Corporation, *St. Louis, Missouri* §•	11,772,039	7,118,421,220
7. U S West, *Englewood, Colorado* §•†‡	11,332,000	7,569,800,000
8. GTE Corporation, (US only), *Stamford, Connecticut* •	11,127,681	8,730,550,000
9. United Telecommunications, Inc., *Overland Park, Kansas*•	3,381,332	2,220,415,000
10. Contel Service Corporation, *Atlanta, Georgia*•	2,280,569	1,835,173,000
11. Southern New England Telephone, *New Haven, Connecticut* §•‡	1,711,533	1,359,500,000
12. Centel Corporation, *Chicago, Illinois*•	1,354,317	833,000,000
13. ALLTEL Corporation, *Hudson, Ohio*•‡	953,943	545,545,000
14. Cincinnati Bell Telephone Company, *Cincinnati, Ohio* ‡	726,745	478,310,750
15. Puerto Rico Telephone Company, *San Juan, Puerto Rico*	639,368	406,894,708
16. Rochester Telephone Corporation, *Rochester, New York*•	478,333	400,711,000
17. Century Telephone Enterprises, Inc., *Monroe, Louisiana*•	227,197	146,001,000
18. Pacific Telecom Inc., *Vancouver, Washington* *	225,151	196,776,447
19. Telephone & Data Systems, Inc., *Madison, Wisconsin* †	206,478	128,972,600
20. Lincoln Telephone & Telegraph Co., *Lincoln, Nebraska*	202,590	139,049,313
21. C-TEC Corporation, *Wilkes-Barre, Pennsylvania* *	162,683	90,411,000
22. Anchorage Telephone Utility, *Anchorage, Alaska*	114,937	114,221,519
23. Citizens Utilities Company, *Stamford, Connecticut* *	87,583	107,842,000
24. Puerto Rico Communications Authority, *Santurce, Puerto Rico*	79,812	45,972,698
25. North State Telephone Company, *High Point, North Carolina* *	78,287	40,047,000
26. Illinois Consolidated Telephone Co., *Mattoon, Illinois*	73,522	56,486,000
27. The Concord Telephone Co., *Concord, North Carolina*	67,994	27,909,000
28. CP National Corporation, *Walnut Creek, California*•‡	60,308	87,582,000
29. North-West Telecommunications, Inc., *Tomah, Wisconsin* *	59,204	31,225,840
30. Lufkin-Conroe Telephone Exchange, *Lufkin, Texas*	58,000	43,000,000
31. Roseville Telephone Company, *Roseville, California*	57,851	43,343,000
32. Universal Telephone, Inc., *Milwaukee, Wisconsin*	43,930	20,110,118
33. Virgin Islands Telephone Corporation, *St. Thomas, Virgin Islands*	39,232	41,050,000
34. North Pittsburgh Telephone Company, *Gibsonia, Pennsylvania* *	37,003	26,499,660
35. Pioneer Telephone Cooperative, Inc., *Kingfisher, Oklahoma*	36,406	25,048,438
36. Denver & Ephrata Tel. & Tel. Co., *Ephrata, Pennsylvania*	35,171	21,706,033
37. The Conestoga Telephone & Telegraph Co., *Birdsboro, Pennsylvania*	34,051	18,717,691
38. Horry Telephone Cooperative, Inc., *Conway, South Carolina*	34,003	6,556,488
39. Standard Telephone Company, *Cornelia, Georgia*	33,462	21,161,877
40. Farmers Telephone Cooperative, Inc., *Kingstree, South Carolina*	32,218	18,022,338
41. Rock Hill Telephone Company, *Rock Hill, South Carolina*	30,200	21,339,728
42. Guam Telephone Authority, *Tamuning, Guam*	27,384	9,313,487
43. Matanuska Telephone Assn., Inc., *Palmer, Alaska*	26,277	27,109,954
44. The Chillicothe Telephone Company, *Chillicothe, Ohio*	24,745	16,100,000
45. Great Plains Communications, Inc. *Blair, Nebraska*	24,705	13,676,236
46. Mankato Citizens Telephone Company, *Mankato, Minnesota*	24,451	15,368,593
47. Sugar Land Telephone Company, *Sugar Land, Texas*	24,400	22,000,000
48. Clifton Forge-Waynesboro Telephone Co., *Staunton, Virginia*	24,345	17,636,400
49. Fairbanks Municipal Utilities System, *Fairbanks, Alaska*	23,099	23,923,296
50. Lexington Telephone Company, *Lexington, North Carolina* *	21,732	12,689,878

§ Formerly wholly or partially owned by AT&T
• Company or parent listed on the New York Stock Exchange
† Company or parent listed on the American Stock Exchange
‡ Company or parent listed on the Pacific Stock Exchange
* Over-the-Counter market

In Order of Access Lines As of January 1, 1987	Access Lines	Operating Revenues
51. Twin Lakes Telephone Cooperative, *Gainesboro, Tennessee*	21,360	7,833,847
52. Gulf Telephone Company, *Foley, Alabama*	20,900	14,618,701
53. Skyline Telephone Membership Corp., *West Jefferson, North Carolina*	20,762	7,456,624
54. Northern States Power Company, *Minot, North Dakota*• ‡	20,614	10,027,500
55. Ben Lomand Rural Telephone Coop., Inc., *McMinnville, Tennessee*	20,524	9,226,594
56. Hargray Telephone Company, Inc., *Hilton Head Island, South Carolina*	20,146	19,449,248
57. Eastex Telephone Cooperative, Inc., *Henderson, Texas*	20,090	12,139,639
58. Smithville Telephone Company, Inc., *Ellettsville, Indiana*	19,812	8,830,655
59. Wood Country Telephone Company, *Wisconsin Rapids, Wisconsin*	19,767	9,157,867
60. East Ascension Telephone Company, Inc., *Gonzales, Louisiana*	19,615	12,742,110
61. St. Joseph Telephone & Telegraph Co., *Port St. Joe, Florida*	18,887	16,988,735
62. Taconic Telephone Corporation, *Chatham, New York*	18,768	9,246,093
63. San Marcos Telephone Company, *San Marcos, Texas*	18,641	15,535,000
64. South Central Rural Tel. Coop. Corp., Inc., *Glasgow, Kentucky*	18,105	9,700,000
65. Grand River Mutual Telephone Corp., *Princeton, Missouri*	17,813	9,416,651
66. Coastal Utilities Inc., *Hinesville, Georgia*	17,689	13,399,634
67. Yadkin Valley Tel. Membership Corp., *Yadkinville, North Carolina*	16,867	7,135,000
68. C, C & S Systems Inc., *Jackson, Michigan*	16,385	5,978,400
69. Atlantic Telephone Membership Corp., *Shallotte, North Carolina*	16,325	5,654,079
70. Fort Bend Telephone Company, *Rosenberg, Texas*	16,293	11,828,753
71. Brandenburg Telephone Company, Inc., *Brandenburg, Kentucky*	16,158	8,573,802
72. Enterprise Telephone Company, *New Holland, Pennsylvania*	16,115	9,596,385
73. Urban Telephone Corporation, *Clintonville, Wisconsin*	16,085	5,919,993
74. Highland Telephone Cooperative, Inc., *Sunbright, Tennessee*	15,443	6,835,304
75. Ogden Telephone Company, *Spencerport, New York*	15,401	5,661,000
76. Ace Telephone Association, *Houston, Minnesota*	15,337	7,758,116
77. Buffalo Valley Telephone, *Lewisburg, Pennsylvania*	15,039	7,829,857
78. Lancaster Telephone Company, *Lancaster, South Carolina*	14,967	8,914,226
79. Warwick Valley Telephone Company, *Warwick, New York*	14,926	7,899,598
80. Missouri Telephone Company, *Bolivar, Missouri*	14,897	7,319,868
81. Shenandoah Telephone Company, *Edinburg, Virginia*	14,553	8,488,955
82. Kerrville Telephone Company, *Kerrville, Texas*	14,109	10,105,753
83. Mid Plains Telephone Inc., *Middleton, Wisconsin*	14,088	6,072,131
84. Guadalupe Valley Tel. Cooperative, Inc., *New Braunfels, Texas*	13,966	10,014,000
85. The Woodbury Telephone Company, *Woodbury, Connecticut*	13,282	8,665,000
86. Harrisonville Telephone Company, *Waterloo, Illinois*	13,245	7,381,124
87. Rhinelander Telephone Company, *Rhinelander, Wisconsin*	13,233	6,589,000
88. Craw-Kan Telephone Cooperative, Inc., *Girard, Kansas*	13,207	6,863,704
89. Ellensburg Telephone Company, *Ellensburg, Washington*	13,035	9,179,033
90. Farmers Telephone Cooperative, Inc., *Rainsville, Alabama*	12,981	6,141,851
91. Northwestern Indiana Telephone Co., *Hebron, Indiana*	12,875	8,594,100
92. Garden Valley Telephone Company, *Erskine, Minnesota*	12,727	6,387,508
93. West Kentucky Rural Tel. Coop. Corp., *Mayfield, Kentucky*	12,593	6,208,206
94. North Central Tel. Cooperative, Inc., *Lafayette, Tennessee*	12,371	4,926,193
95. East Otter Tail Telephone Company, *Perham, Minnesota*	12,264	5,450,450
96. Millington Telephone Company, *Millington, Tennessee*	12,236	7,221,750
97. DeKalb Telephone Cooperative, *Alexandria, Virginia*	12,073	5,284,446
98. Citizens Telephone Company, *Brevard, North Carolina*	11,988	7,433,517
99. United Telequipment Corporation, *Monroe, Wisconsin*	11,793	6,330,656
100. Statesboro Telephone Company, *Statesboro, Georgia*	11,571	7,504,777

§ Formerly wholly or partially owned by AT&T
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† Company or parent listed on the American Stock Exchange
‡ Company or parent listed on the Pacific Stock Exchange
* Over-the-Counter market

CONSTRUCTION EXPENDITURES

($000 Omitted)

1986	$21,037,551
1985	20,300,000
1984	17,913,000
1983	17,539,000
1982	20,569,000
1981	22,020,000
1980	21,223,000
1979	19,685,000
1978	16,925,000
1977	14,227,000
1976	12,187,000
1975	11,467,000
1974	12,327,000

ACCESS LINES BY STATE

December 31, 1986

State	Companies	Access Lines
Alabama	32	1,579,000
Alaska	23	260,200
Arizona	7	1,575,000
Arkansas	27	910,000
California	22	14,456,800
Colorado	24	2,300,000
Connecticut	2	2,103,000
District of Columbia	1	785,000
Delaware	1	337,500
Florida	13	6,125,500
Georgia	29	3,300,000
Hawaii	1	478,300
Idaho	13	435,000
Illinois	57	6,100,000
Indiana	46	2,391,300
Iowa	151	1,296,600
Kansas	39	1,330,000
Kentucky	16	1,467,170
Louisiana	21	1,920,000
Maine	19	532,000
Maryland	2	2,419,000
Massachusetts	3	3,186,250
Michigan	42	4,582,300
Minnesota	89	2,160,000
Mississippi	21	920,000
Missouri	40	2,410,000
Montana	15	380,000
Nebraska	43	781,150
Nevada	11	519,780
New Hampshire	11	544,880
New Jersey	6	4,402,000
New Mexico	8	625,000
New York	40	9,905,147
North Carolina	26	2,895,050
North Dakota	21	405,489
Ohio	43	5,477,400
Oklahoma	33	1,559,200
Oregon	29	1,339,050
Pennsylvania	42	6,100,000
Rhode Island	1	490,000
South Carolina	24	1,375,200
South Dakota	30	320,000
Tennessee	26	2,159,020
Texas	66	7,966,800
Utah	14	662,000
Vermont	8	296,000
Virginia	20	2,867,350
Washington	24	2,500,000
West Virginia	10	751,900
Wisconsin	99	2,282,264
Wyoming	13	238,000
Total	**1,404**	**122,202,600**

GENERAL COMPOSITE SUMMARY OF REPORTING COMPANIES

	1986 Bell and Indept.	1985 Bell and Indept.	1984 Bell and Indept.	1986 Bell Only	1986 Indept. Only
Number of Reporting Companies	650	677	655	24	626
Number of Exchanges	17 033	16 832	16 298	7 623	9 410
Number of Access Lines	121 171 575	117 374 248	113 555 912	97 007 100	24 164 475
Telephone Plant in Service**	$212 366 078	199 977 927	186 151 202	164 633 991	$47 732 087
Depreciation Reserve**	$ 61 052 555	52 872 076	45 748 072	45 537 319	$15 515 236
Funded Debt — Bonds**	19 818 604	15 495 805	13 916 899	10 876 952	8 941 652
Funded Debt — Other**	31 014 204	35 461 437	36 308 346	26 737 243	4 276 961
Preferred Stock**	547 828	972 054	1 261 351	34 115	513 713
Common Stock**	47 849 877	47 002 699	45 593 826	40 669 197	7 180 680
Retained Earnings**	21 562 914	19 507 350	17 547 258	13 660 760	7 902 154
Current Maturity on Long Term Debt and Short Term Notes**	2 704 422	4 112 053	3 339 046	1 859 576	844 846
Total Capitalization**	$123 497 849	122 551 398	117 966 726	93 837 843	$29 660 006

** (000 Omitted)

FINANCING BY REPORTING COMPANIES

($000 Omitted)

	1986 Bell and Indept.	1985 Bell and Indept.	1984 Bell and Indept.	1986 Bell Only	1986 Indept. Only
Long Term Debt—Bonds	$1 713 161	775 593	94 623	—	$1 713 161
Debentures	6 349 800	2 476 015	410 040	6 245 000	104 800
Notes (Over 12 months)	521 859	254 551	263 230	215 000	306 859
Total	8 584 820	3 506 159	767 893	6 460 000	2 124 820
Preferred Stock	219	—	1 690	—	219
Common Stock	176 746	506 958	296 357	56 671	120 075
Total	176 965	506 958	298 047	56 671	120 294
Total Financing	8 761 785	4 013 117	1 065 940	6 516 671	2 245 114
Sold Publicly—Bonds	1 463 930	732 000	46 500	—	1 463 930
Debentures and Notes (Over 12 months)	6 218 016	2 472 842	400 000	6 110 000	108 016
Preferred Stock	—	—	—	—	—
Common Stock	67 094	383 902	37 318	33 000	34 094
Total	7 749 040	3 588 744	483 818	6 143 000	1 606 040
Sold Privately—Bonds	249 231	43 593	48 123	—	249 231
Debentures and Notes (Over 12 months)	648 819	257 724	273 270	350 000	298 819
Preferred Stock	219	—	1 690	—	219
Common Stock	109 651	123 056	259 039	23 671	85 980
Total	$1 007 920	424 373	582 122	373 671	$ 634 249

COMPOSITE BALANCE SHEET OF REPORTING COMPANIES

($000 Omitted)

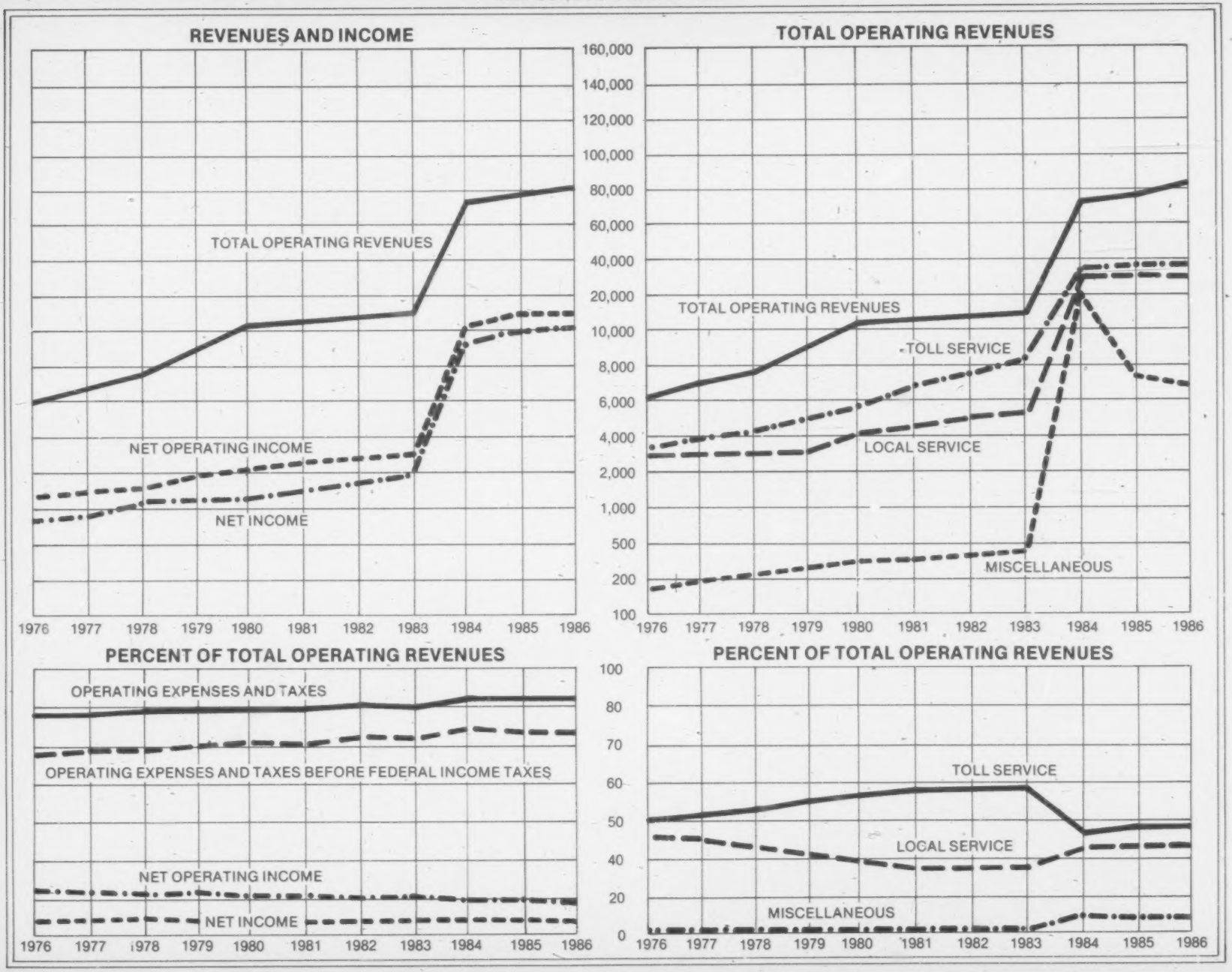
ASSETS	1986 Bell and Indept.	1985 Bell and Indept.	1984 Bell and Indept.	1986 Bell Only	1986 Indept. Only
Investments					
Telephone Plant (see page 20)	$217 464 533	205 588 947	191 919 316	168 008 759	$49 455 774
Less: Depreciation and Amort. Reserves	61 052 555	52 872 076	45 748 072	45 537 319	15 515 236
	156 411 978	152 716 871	146 171 244	122 471 440	33 940 538
Investments and Funds	1 810 071	1 660 357	816 345	731 669	1 079 202
Investments in Non-Regulated Activities	484 810	393 233	656 292 *	48 832	435 978
Total Investments	158 707 659	154 770 461	147 643 881	123 251 941	35 455 718
Current Assets					
Cash (Including Cash Funds)	2 049 538	2 226 991	2 022 098	698 171	1 351 367
Accounts Receivable (Less Reserve)	13 620 125	13 689 488	12 771 938	10 989 012	2 631 113
Materials and Supplies	1 486 078	1 561 169	1 571 297	1 068 018	418 060
All Other	1 515 940	1 867 607	1 848 162	1 403 932	112 008
Total Current Assets	18 671 681	19 345 255	18 213 495	14 159 133	4 512 548
Prepaid Accounts and Deferred Charges	4 002 323	2 621 527	2 166 608	3 372 485	629 838
TOTAL ASSETS	$181 381 663	176 737 243	168 023 984	140 783 559	$40 598 104
Ratio Current Assets to Current and Accrued Liabilities	85.0%	87.6	88.9	82.6	93.6%
Materials and Supplies per Access Line	$12.26	13.30	13.83	11.01	$17.30

* Advances to Affiliated Companies

COMPOSITE BALANCE SHEET OF REPORTING COMPANIES

($000 Omitted)

LIABILITIES	1986 Bell and Indept.	1985 Bell and Indept.	1984 Bell and Indept.	1986 Bell Only	1986 Indept. Only
Capital Stock and Surplus					
Preferred Stock	$ 547 828	972 054	1 261 351	34 115	$ 513 713
Common Stock	41 072 511	40 583 991	39 787 499	35 349 290	5 723 221
Other Capital (Including Premium on Capital Stock)	6 782 760	6 427 289	5 812 555	5 319 907	1 462 853
Retained Earnings (Unappropriated and reserved)	21 562 914	19 507 350	17 547 258	13 660 760	7 902 154
Total	69 966 013	67 490 684	64 408 663	54 364 072	15 601 941
Less: Capital Stock Discount and Expense	5 394	8 581	6 228	—	5 394
Total	69 960 619	67 482 103	64 402 435	54 364 072	15 596 547
Long Term Debt					
Bonds	19 818 604	15 495 805	13 916 899	10 876 952	8 941 652
Debentures, Long Term Notes (Over 12 months)	30 328 161	34 718 842	35 823 790	26 420 868	3 907 293
Other Long Term Debt	686 043	742 595	484 556	316 374	369 669
Total	50 832 808	50 957 242	50 225 245	37 614 194	13 218 614
Current and Accrued Liabilities					
Current Maturity on Long Term Debt	644 568	797 176	589 921	318 706	325 862
Bank Loans and other Short Term Notes	2 059 854	3 314 877	2 749 125	1 540 870	518 984
Accounts Payable	10 942 506	10 819 633	10 406 478	8 840 883	2 101 623
Accrued Taxes	3 264 607	2 172 941	2 201 662	2 574 585	690 022
Other Liabilities	5 052 378	4 985 204	4 548 065	3 868 307	1 184 071
Total	21 963 913	22 089 831	20 495 251	17 143 351	4 820 562
Unamortized Investment Credits	8 526 997	9 003 365	8 720 595	6 636 823	1 890 174
Accumulated Deferred Income Taxes—Accelerated Tax Depr.	26 996 408	24 202 631	22 508 634	22 315 290	4 681 118
Other Types of Deferred Income Taxes	1 317 097	1 401 731	483 378	1 205 089	112 008
Deferred Credits and Operating Reserves	1 783 821	1 600 341	1 188 446	1 504 740	279 081
TOTAL CAPITALIZATION AND LIABILITIES	$181 381 663	176 737 243	168 023 984	140 783 559	$40 598 104


REVENUES AND INCOME
TOTAL OPERATING REVENUES
NET OPERATING INCOME
NET INCOME
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
10,000
8,000
6,000
4,000
2,000
1,000
500
200
100
1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986
TOTAL OPERATING REVENUES
TOLL SERVICE
LOCAL SERVICE
MISCELLANEOUS
PERCENT OF TOTAL OPERATING REVENUES
OPERATING EXPENSES AND TAXES
OPERATING EXPENSES AND TAXES BEFORE FEDERAL INCOME TAXES
NET OPERATING INCOME
NET INCOME
100
80
70
60
50
40
20
0
TOLL SERVICE
LOCAL SERVICE
MISCELLANEOUS

COMPOSITE INCOME STATEMENT OF REPORTING COMPANIES

Including Percentage Relationships to Total Operating Revenue

($000 Omitted)

	1986 Bell and Indept.		1985 Bell and Indept.		1984 Bell and Indept.		1986 Bell Only		1986 Indept. Only	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Total Operating Revenues										
Local Service	$35 524 995	43.61	33 785 940	43.39	31 890 200	43.52	29 401 779	46.02	$ 6 123 216	34.88
Network Access	26 469 931	32.50	24 956 750	32.05	22 057 466	30.10	20 111 930	31.48	6 358 001	36.21
Toll Service	12 729 582	15.63	12 097 719	15.54	12 300 592	16.79	9 598 587	15.02	3 130 995	17.84
Miscellaneous	7 306 560	8.97	7 535 713	9.67	7 521 535	10.27	5 267 432	8.24	2 039 128	11.62
Less: Uncollectibles	579 328	.71	511 899	.65	498 884	.68	483 220	.76	96 108	.55
Total	81 451 740	100.00	77 864 223	100.00	73 270 909	100.00	63 896 508	100.00	17 555 232	100.00
Operating Expenses and Taxes										
Maintenance	15 503 816	19.03	15 533 398	19.95	15 159 736	20.69	12 262 303	19.19	3 241 513	18.46
Depreciation	15 167 324	18.62	13 513 621	17.36	11 801 343	16.10	11 639 207	18.22	3 528 117	20.10
Traffic	2 803 287	3.44	2 806 321	3.60	2 828 434	3.86	2 199 502	3.44	603 785	3.44
Commercial	6 506 329	7.99	5 915 165	7.60	5 751 892	7.85	5 323 501	8.33	1 182 828	6.74
General Office Salaries and Exp.	5 666 520	6.96	5 588 273	7.18	5 192 705	7.09	4 264 037	6.67	1 402 483	7.99
Other Operating Expenses	7 315 065	8.98	7 486 968	9.62	7 067 892	9.65	5 898 403	9.23	1 416 662	8.07
Taxes Other Than Federal Income	6 330 048	7.77	6 254 624	8.03	6 175 372	8.43	5 156 963	8.07	1 173 085	6.68
Federal Income Taxes	7 231 136	8.88	6 578 440	8.45	5 811 058	7.93	5 692 028	8.91	1 539 108	8.77
Total	66 523 525	81.67	63 678 810	81.78	59 788 432	81.60	52 435 944	82.06	14 087 581	80.25
Net Operating Income	14 928 215	18.33	14 187 413	18.22	13 482 477	18.40	11 460 564	17.94	3 467 651	19.75
Other Income (Non-operating)	755 477	.93	828 776	1.06	652 115	.89	454 848	.71	300 629	1.71
Income Available for Fixed Charges	15 683 692	19.26	15 016 189	19.28	14 134 592	19.29	11 915 412	18.65	3 768 280	21.46
Interest and Other Deductions										
Interest on Funded Debt	4 213 863	5.17	4 442 709	5.71	4 449 947	6.07	3 172 572	4.97	1 041 291	5.93
Interest—Other	403 682	.50	452 085	.58	373 134	.51	304 855	.48	98 827	.56
Amort. of Debt Discount Premium and Net Expenses & Other Fixed Charges	65 498	.08	38 796	.05	28 373	.04	50 564	.08	14 934	.09
Total	4 683 043	5.75	4 933 590	6.34	4 851 454	6.62	3 527 991	5.53	1 155 052	6.58
Net Income before Extra & Delayed Items	11 000 649	13.51	10 082 599	12.95	9 283 138	12.67	8 387 421	13.12	2 613 228	14.88
Extra and Delayed Items—Net	36 480	.04	19 799	.03	30 332	.04	40 726	.06	4 246	.02
Net Income	10 964 169	13.47	10 062 800	12.92	9 313 470	12.71	8 346 695	13.06	2 617 474	14.90
Dividends										
Preferred	65 087	.08	95 223	.12	107 638	.15	18 469	.03	46 618	.27
Common	8 714 103	8.24	8 158 112	10.47	7 193 918	9.82	7 163 106	11.21	1 550 997	8.83
Total	$ 8 791 190	8.32	8 253 335	10.59	7 301 556	9.97	7 181 575	11.24	$ 1 597 615	9.10
Net Operating Income—in % Earned on Depreciated Plant in Service**	10.0		9.9		9.4		9.8		10.9	
Income Available for Fixed Charges—in % Earned on Total Capitalization**	12.8		12.4		11.9		12.7		13.0	

**Average

OPERATING REVENUE ACCOUNTS OF REPORTING COMPANIES

($000 Omitted)

	1986 Bell and Indept.	1985 Bell and Indept.	1984 Bell and Indept.	1986 Bell Only	1986 Indept. Only
LOCAL SERVICE REVENUES					
Subscribers' Station	$31 902 370	30 470 455	29 016 230	26 119 556	$ 5 782 314
Public Telephone	1 587 459	1 542 725	1 299 722	1 443 635	143 824
Local Private Line Service	1 128 082	1 027 720	941 715	1 046 656	81 426
Other Local Service	907 084	745 040	632 533	791 932	115 152
Total Local Service Revenues	35 524 995	33 785 940	31 890 200	29 401 779	6 123 216
NETWORK ACCESS REVENUES					
Interstate	17 631 717	16 775 680	15 223 877	14 133 903	3 497 814
Intrastate	6 687 081	6 493 245	5 922 141	4 320 713	2 366 368
All Other Type	2 151 133	1 687 825	911 448	1 657 314	493 819
Total Network Access Revenues	26 469 931	24 956 750	22 057 466	20 111 930	6 358 001
TOLL SERVICE REVENUES					
Message Tolls	9 316 586	8 987 236	9 079 220	6 560 629	2 755 957
Wide Area	1 998 575	1 706 141	1 479 179	1 883 765	114 810
Toll Private Line Services	1 302 931	1 262 904	1 297 165	1 086 263	216 668
Other Toll Service	111 490	141 438	445 028	67 930	43 560
Total Toll Service Revenues	12 729 582	12 097 719	12 300 592	9 598 587	3 130 995
MISCELLANEOUS REVENUES					
Directory Advertising and Sales	2 786 476	2 760 866	3 241 542	2 052 349	734 127
Rent and Lease of 1x Facilities	1 497 778	1 587 853	1 579 211	873 956	623 822
General Services and Licenses and Other	3 022 306	3 186 994	2 700 782	2 341 127	681 179
Total Miscellaneous Revenues	7 306 560	7 535 713	7 521 535	5 267 432	2 039 128
UNCOLLECTIBLE REVENUES					
Uncollectible—Debit	579 328	511 899	498 884	483 220	96 108
TOTAL OPERATING REVENUES	$81 451 740	77 864 223	73 270 909	63 896 508	$17 555 232

DETAILS OF OPERATING TAXES OF REPORTING COMPANIES

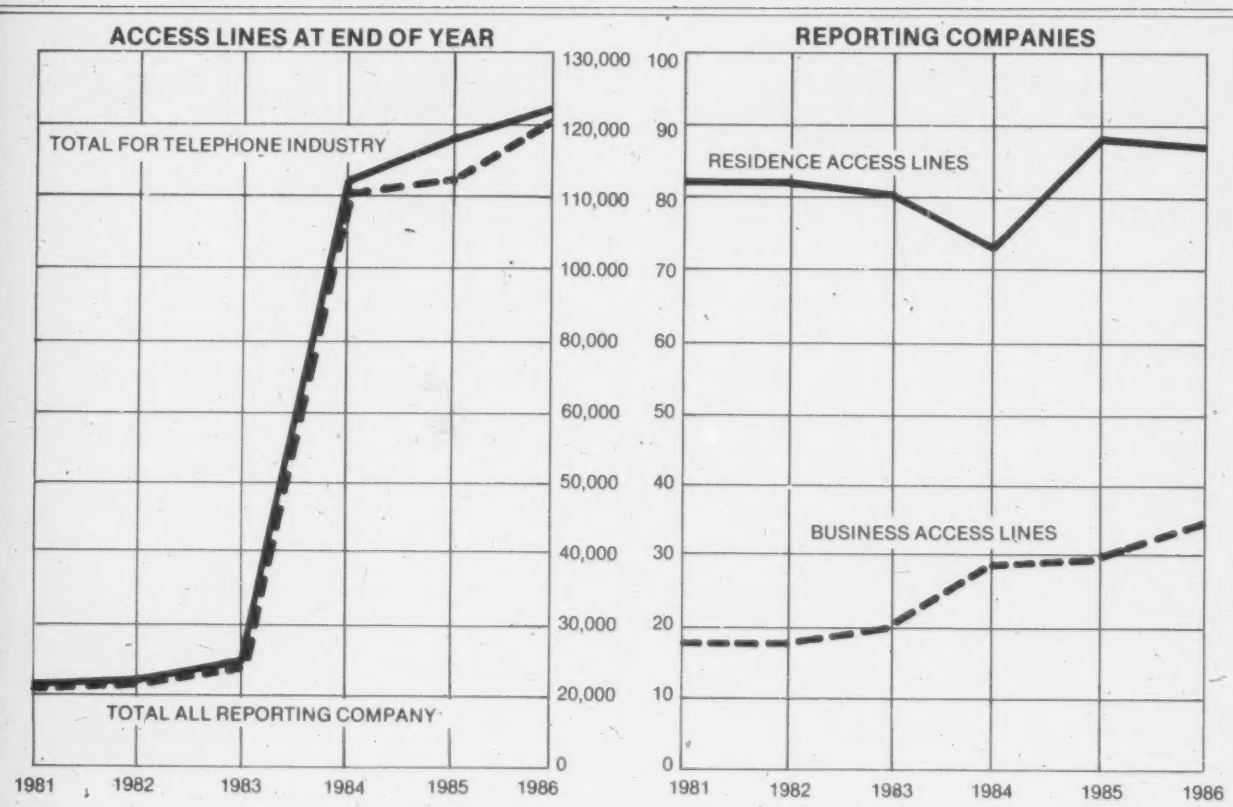
($000 Omitted)

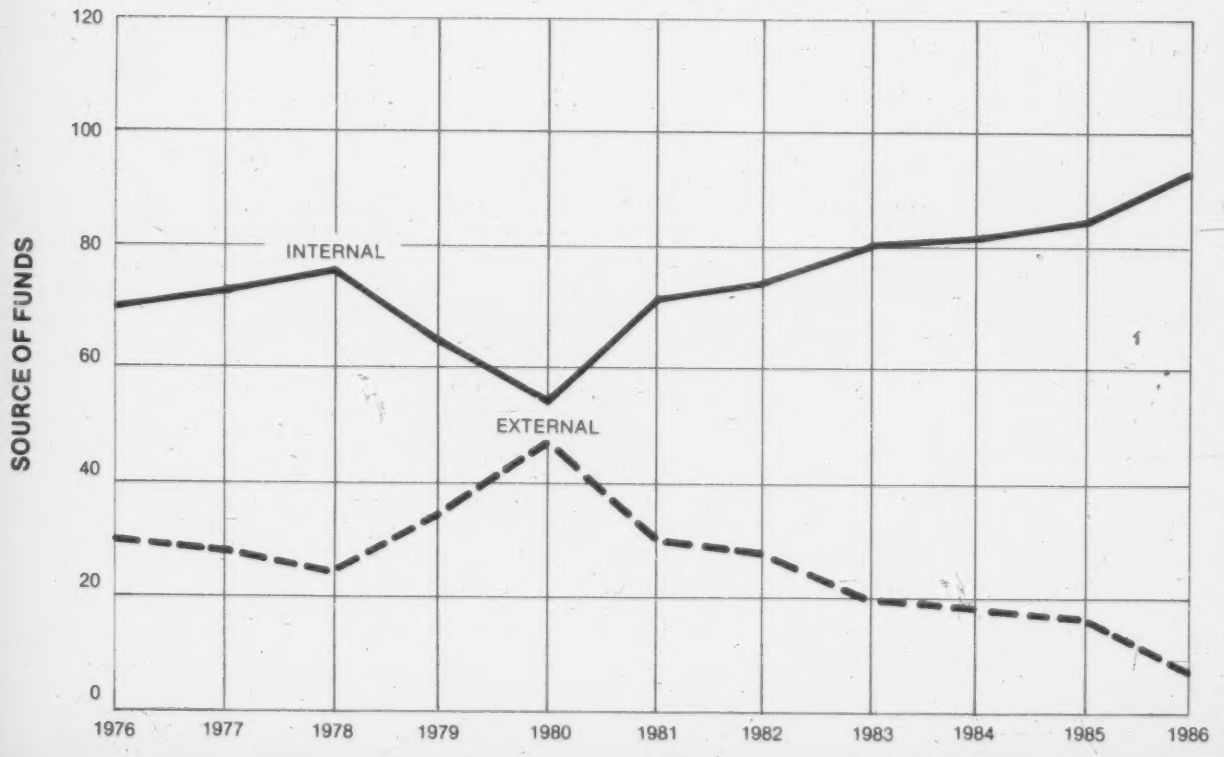
	1986 Bell and Indept.		1985 Bell and Indept.		1984 Bell and Indept.		1986 Bell Only		1986 Indept. Only	
	Amount	%	**Amount**	%	**Amount**	%	**Amount**	%	**Amount**	%
Federal Income Taxes	$ 7 231 136	52.78	6 578 440	50.72	5 811 057	47.88	5 692 028	52.08	$1 539 108	55.54
State Income Taxes	853 926	6.23	822 652	6.34	680 572	5.61	636 168	5.82	217 758	7.86
Property Taxes	2 399 591	17.52	2 290 842	17.67	2 207 739	18.19	1 971 844	18.04	427 747	15.43
Gross Receipts Taxes	1 384 570	10.11	1 436 351	11.07	1 610 660	13.27	1 203 843	11.02	180 727	6.52
Total Employers Payroll Taxes	1 574 096	11.49	1 570 910	12.11	1 571 448	12.95	1 229 188	11.25	344 908	12.45
Other Miscellaneous Taxes	256 391	1.87	270 462	2.09	254 660	2.10	195 523	1.73	60 868	2.20
Total	$13 699 710	100.00	12 969 657	100.00	12 135 776	100.00	10 928 594	100.00	$2 771 116	100.00
Federal Income Taxes—Current	5 116 960		3 261 061		2 713 444		3 876 913		1 240 047	
Deferred Federal Income Tax	2 384 810		2 616 335		2 508 830		2 011 336		373 474	
Investment Credit (Net)	270 634		701 044		588 783		196 221		74 413	
Federal Income Taxes after Deductions	$ 7 231 136		6 578 440		5 811 057		5 692 028		$1 539 108	

COMPOSITE TELEPHONE PLANT OF REPORTING COMPANIES

($000 Omitted)

	1986 Bell and Indept.		1985 Bell and Indept.		1984 Bell and Indept.		1986 Bell Only		1986 Indept. Only	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Organization	$ 3 599	—	3 691	—	3 607	—	—	—	$ 3 599	.01
Franchises	2 036	—	2 838	—	2 346	—	1 567	—	469	—
Patent Rights	77	—	79	—	3 600	—	74	—	3	—
Land	1 124 432	.53	1 072 236	.54	1 079 009	.58	870 163	.54	254 269	.53
Buildings	16 457 329	7.75	15 635 515	7.82	14 871 387	7.99	13 444 408	8.17	3 012 921	6.31
Central Office Equipment	75 969 684	35.77	70 798 279	35.41	64 312 754	34.55	58 516 247	35.54	17 453 437	36.57
Station Apparatus	2 087 912	.98	2 474 103	1.24	2 968 220	1.59	475 421	.29	1 612 491	3.38
Station Connections	15 003 943	7.08	15 191 441	7.60	15 137 884	8.13	12 074 718	7.33	2 929 225	6.14
Large Private Branch Exchanges	2 983 194	1.40	2 864 440	1.43	2 814 354	1.51	2 395 024	1.45	588 170	1.23
Pole Lines	4 318 323	2.03	4 107 801	2.05	3 969 932	2.13	3 104 659	1.89	1 213 664	2.54
Aerial Cable	22 115 464	10.41	20 804 950	10.40	19 480 980	10.47	16 713 987	10.15	5 401 477	11.32
Underground Cable	16 859 114	7.94	15 837 341	7.92	14 829 660	7.97	14 425 586	8.76	2 433 528	5.10
Buried Cable	30 466 649	14.35	28 111 322	14.06	25 226 323	13.55	21 363 778	12.98	9 102 871	19.07
Submarine Cable	135 521	.06	141 918	.07	148 810	.08	89 879	.05	45 642	.10
Aerial Wire	427 634	.20	429 296	.21	437 239	.24	245 461	.15	182 173	.38
Underground Conduit	10 977 070	5.17	10 485 694	5.24	9 978 461	5.36	9 590 413	5.83	1 386 657	2.91
Furniture and Office Equipment	9 539 928	4.49	8 322 748	4.16	7 368 542	3.96	8 554 003	5.19	985 925	2.07
Vehicles and Other Work Equipment	3 877 196	1.83	3 680 419	1.84	3 460 052	1.86	2 768 524	1.68	1 108 672	2.32
Telephone Plant Acquired	16 607	.01	13 770	.01	58 005	.03	79	—	16 528	.02
Telephone Plant Sold	366	—	46	—	37	—	—	—	366	—
Total Telephone Plant in Service	$212 366 078	100.00	199 977 927	100.00	186 151 202	100.00	164 633 991	100.00	$47 732 087	100.00
Telephone Plant Under Construction	4 943 111		5 509 213		5 636 182		3 310 926		1 632 185	
Property Held for Future Telephone Use	27 584		17 693		57 436		20 349		7 235	
Telephone Plant Acquisition Adjustment	88 523		82 829		69 376		5 359		83 164	
Telephone Plant Adjustment	1 233		1 305		5 455		—		1 233	
Less: Contributions to Plant (Credit)	38 004		20		335		38 134		130	
Total Telephone Plant	$217 464 533		205 588 947		191 919 316		168 008 759		$49 455 774	
Total Plant in Service per Access Line	$ 1 795		1 704		1 639		1 697		$ 1 975	
Gross Additions to Plant	21 037 550		20 208 055		17 774 072		16 007 664		5 029 886	
Less: Retirements of Plant	8 866 478		7 941 560		6 310 340		6 193 406		2 673 072	
Net Additions to Plant	$ 12 171 072		12 266 495		11 463 732		9 814 258		$ 2 356 814	


ACCESS LINES AT END OF YEAR
TOTAL FOR TELEPHONE INDUSTRY
TOTAL ALL REPORTING COMPANY
130,000
120,000
110,000
100.000
80,000
60,000
50,000
40,000
30,000
20,000
0
1981
1982
1983
1984
1985
1986
REPORTING COMPANIES
RESIDENCE ACCESS LINES
BUSINESS ACCESS LINES
100
90
80
70
60
50
40
30
20
10
0
1981
1982
1983
1984
1985
1986


SOURCE OF FUNDS
INTERNAL
EXTERNAL
120
100
80
60
40
20
0
1976
1977
1978
1979
1980
1981
1982
1983
1984
1985
1986

COMPOSITE PLANT, ACCESS LINES AND CALLING STATISTICS OF REPORTING COMPANIES

	1986 Bell and Indept.	1985 Bell and Indept.	1984 Bell and Indept.	1986 Bell Only	1986 Indept. Only
Company Owned Access Lines					
Business — One party	23 312 353	19 872 005	19 906 769	19 694 099	3 618 254
Business — Two or more parties	361 001	369 967	188 820	282 675	78 326
PBX Trunk including Centrex	8 542 933	7 649 581	8 985 850	7 695 363	847 570
Public Telephones	1 565 707	1 714 055	1 803 501	1 297 303	268 404
Public Mobile	184 986	64 789	65 278	164 209	20 777
Residence — One party	84 170 531	83 113 174	78 648 062	66 485 721	17 684 810
Residence — Two or more parties	3 034 064	4 591 138	3 924 997	1 387 730	1 646 334
Total	121 171 575	117 374 709	113 523 277	97 007 100	24 164 475
Touch Tone Access Line	76 031 443	63 758 154	62 053 124	62 220 628	13 810 815
Average Co-owned Access Lines in Service During the Year	119 267 923	115 463 932	111 732 630	95 475 905	23 792 018

AVERAGE DAILY CALLS AND TOLL MESSAGES

Local Calls	1 205 884 382	1 161 352 890	1 103 785 614	995 544 339	210 340 043
Toll Messages	120 811 191	102 183 979	86 805 839	88 023 463	32 787 728
Local Calls per Average Access Line	10.11	9.89	9.88	10.43	8.84
Toll Messages per Average Access Line	1.01	.871	.777	.922	1.378

REPORTING COMPANIES CENTRAL OFFICES BY NUMBER OF LINES

1986 — Bell and Independent

Number of Lines	1–200	201–500	501–1 000	1 001–3 000	3 001–5 000	Over 5 000	Total
Central Offices	1 287	2 768	3 412	4 947	1 794	5 789	19 997

1985 Bell and Independent

Number of Lines	1–200	201–500	501–1 000	1 001–3 000	3 001–5 000	Over 5 000	Total
Central Offices	2 023	2 809	3 421	4 694	1 710	5 439	20 096

1984 — Bell and Independent

Number of Lines	1–200	201–500	501–1 000	1 001–3 000	3 001–5 000	Over 5 000	Total
Central Offices	1 073	2 533	3 274	4 823	1 784	7 194	20 681

1986 Bell Only

Number of Lines	1–200	201–500	501–1 000	1 001–3 000	3 001–5 000	Over 5 000	Total
Central Offices	185	560	1 045	2 077	1 044	4 554	9 465

1986 — Independent Only

Number of Lines	1–200	201–500	501–1 000	1 001–3 000	3 001–5 000	Over 5 000	Total
Central Offices	1 102	2 208	2 367	2 870	750	1 235	10 532

1985 — Bell Only

Number of Lines	1–200	201–500	501–1 000	1 001–3 000	3 001–5 000	Over 5 000	Total
Central Offices	896	691	1 047	1 897	941	4 205	9 677

1985 — Independent Only

Number of Lines	1–200	201–500	501–1 000	1 001–3 000	3 001–5 000	Over 5 000	Total
Central Offices	1 124	2 118	2 374	2 797	769	1 234	10 419

1984 — Bell Only

Number of Lines	1–200	201–500	501–1 000	1 001–3 000	3 001–5 000	Over 5 000	Total
Central Offices	253	587	1 083	2 155	1 026	5 989	11 093

1984 — Independent Only

Number of Lines	1–200	201–500	501–1 000	1 001–3 000	3 001–5 000	Over 5 000	Total
Central Offices	820	1 946	2 191	2 668	758	1 205	9 588

1983 — Independent Only

Number of Lines	1–200	201–500	501–1 000	1 001–3 000	3 001–5 000	Over 5 000	Total
Central Offices	878	2 079	2 330	2 662	749	1 150	9 848

1982 — Independent Only

Number of Lines	1–200	201–500	501–1 000	1 001–3 000	3 001–5 000	Over 5 000	Total
Central Offices	1 094	2 459	2 248	2 700	694	1 134	10 329

CENTRAL OFFICES BY TYPE

	1986 Bell and Indept.	1985 Bell and Indept.	1984 Bell and Indept.	1986 Bell Only	1986 Indept. Only
Step by Step	7 632	8 979	9 323	2 910	4 722
Cross Bar	2 124	2 546	3 077	1 367	757
Analog	3 772	3 825	4 766	3 310	462
Digital	5 531	4 240	2 564	1 395	4 136
Other	938	506	951	483	455
Total	19 997	20 096	20 681	9 465	10 532

COMPOSITE FINANCIAL SHEET OF REPORTING COMPANIES

	1986 Bell and Indept.	1985 Bell and Indept.	1984 Bell and Indept.	1986 Bell Only	1986 Indept. Only
Percent of Total Capitalization					
Bonds	16.0	12.6	11.8	11.6	30.1
Debentures and Notes (Over 12 months)	25.2	28.9	30.8	28.5	14.5
Preferred Stock	4	8	1.1	—	1.8
Common Stock	38.7	38.4	38.6	43.3	24.2
Retained Earnings	17.5	15.9	14.9	14.6	26.6
Current Maturity (LTD) and Short Term Notes	2.2	3.4	2.8	2.0	2.8
Total	100.0	100.0	100.0	100.0	100.0
Bonds					
% of Depreciated Plant in Service	28.78%	28.69	30.18	25.55	34.01%
Preferred Stock					
Average Dividend Rate	8.55%	8.45	8.30	11.89	9.07%
Times Dividend Earned (After fixed charges)	47.48	30.48	24.79	61.89	41.78
Net Book Assets per $100	$3 429.33	1 953.90	1 416.80	20 972.76	$2 264.32
Common Stock Equity					
Average Earnings per $100	$ 16.03	15.34	14.38	15.58	$ 17.66
Average Dividend Paid per $100	$ 12.81	12.56	11.23	13.40	$ 10.65
Percentage of Earnings Paid Out in Dividends	80.0%	81.9	78.1	86.0	60.3%
Book Value per $100 of Par or Stated Value	$145.00	142.00	138.00	134.00	$210.00
% Return on Average Capitalization and Retained Earnings	12.1%	11.8	11.3	12.2	11.9%

EMPLOYEES OF REPORTING COMPANIES

	Number of Employees (Thousands)	Total Payroll (Thousands)	Average Annual Payroll Per Employee	Average No. Access Lines Per Employee	Average Dollars of Investment Per Employee
1986 (Bell and Indept.)	670	$22 127 020	$33 034	181	$317 043
1986 (Bell Only)	507	17 391 174	34 326	191	325 010
1986 (Indept. Only)	163	4 735 846	29 020	148	292 494
1985 (Bell and Indept.)	692	21 442 947	31 006	170	289 164
1985 (Bell Only)	525	16 885 433	32 163	179	294 241
1985 (Indept. Only)	167	4 557 514	27 362	141	273 173
1984 (Bell and Indept.)	724	22 111 599	30 538	157	257 094
1984 (Bell Only)	557	17 682 944	31 773	164	258 845
1984 (Indept. Only)	168	4 428 655	26 437	132	251 277
1983 (Indept. Only)	175	4 222 738	24 124	120	231 164
1982 (Indept. Only)	186	4 062 627	21 858	114	208 706
1981 (Indept. Only)	192	3 774 964	19 647	107	187 284
1980 (Indept. Only)	189	3 373 414	17 666	103	171 992
1979 (Indept. Only)	187	3 015 101	16 125	99	157 119
1978 (Indept. Only)	172	2 578 716	14 984	—	148 983
1977 (Indept. Only)	160	$ 2 218 474	$13 827	—	$144 871

PLANT, REVENUES, EXPENSES AND NET OPERATING INCOME PER ACCESS LINE FOR REPORTING COMPANIES*

	1986 Bell and Indept.	1985 Bell and Indept.	1984 Bell and Indept.	1986 Bell Only	1986 Indept. Only
Plant					
Telephone Plant in Service	$1 753	1 704	1 639	1 697	$1 975
Depreciation Reserve	504	450	403	469	642
Telephone Plant in Service Less Reserve	$1 249	1 254	1 236	1 228	$1 333
Ratio—Depreciation Reserve to Plant in Service	28.7	26.4	24.6	27.7	32.5
Total Operating Revenues					
Local Service	$ 297.86	292.11	285.42	307.95	$ 257.36
Network Access	221.94	215.77	197.41	210.65	267.23
Toll Service	106.73	104.60	110.09	100.52	131.60
Miscellaneous	61.26	65.15	67.32	55.18	85.71
Uncollectibles	4.86	4.43	4.46	5.06	4.04
Total	$ 682.93	673.20	655.78	669.24	$ 737.86
Operating Expenses and Taxes					
Maintenance	$ 129.99	134.30	135.68	128.43	$ 136.24
Depreciation	127.17	116.84	105.62	121.91	148.29
Traffic	23.50	24.26	25.31	23.04	25.38
Commercial	54.55	51.14	51.48	55.76	49.72
General Office Salaries and Expenses	47.52	48.32	46.47	44.66	58.95
Other	61.33	64.73	63.26	61.78	59.54
Taxes other than Federal Income Taxes	53.08	54.08	55.27	54.01	49.31
Federal Income Taxes	60.63	56.88	52.01	59.62	64.69
Total	$ 557.77	550.54	535.10	549.21	$ 592.12
Net Operating Income	$ 125.16	122.66	120.68	120.03	$ 145.74
Other Income (Non-operating)	6.33	7.17	5.84	4.76	12.64
Income Available for Fixed Charges	$ 131.49	129.83	126.52	124.79	$ 158.38
Interest on Other Deductions					
Interest on Funded Debt	$ 35.33	38.41	39.83	33.23	$ 43.77
Interest—Others	3.38	3.91	3.35	3.19	4.15
Amort. Debt Discount Premium & Exp. (Net) and Other Fixed Charges	.55	.34	.25	.53	.63
Total	$ 39.26	42.66	43.43	36.95	$ 48.55
Net Income before Extra & Delayed Items	92.23	87.17	83.09	87.84	109.83
Extra and Delayed Items—Net	.31	.17	.27	.43	.18
Net Income	$ 91.92	87.34	83.36	87.41	$ 110.01
Dividends					
Preferred	.55	.82	.96	.19	1.96
Common	73.06	70.53	64.39	75.03	65.19
Total	$ 73.61	71.35	65.35	75.22	$ 67.15

*Profit and loss items are based on average access lines

SELECTED OPERATING RATIOS OF REPORTING COMPANIES

	1986 Bell and Indept.	1985 Bell and Indept.	1984 Bell and Indept.	1986 Bell Only	1986 Indept. Only
Total Operating Revenues per $1 of Plant in Service (1)	.395	.402	.392	.401	.377
Total Operating Revenues per $1 of Depreciated Plant in Service (1)	.546	.541	.512	.544	.553
Operating Ratio (2)	72.8	73.0	73.7	73.2	71.5
Operating Expenses and Taxes (Excluding Federal Income Taxes) per $1 of Plant in Service (1)	.288	.295	.289	.293	.269
Net Operating Income per $1 of Plant (1)	.072	.073	.072	.072	.074
Net Operating Income per $1 of Depr. Plant (1)	.100	.098	.094	.098	.109
Maintenance—% of Plant in Service (1)	7.52	8.03	8.11	7.69	6.95
Maintenance—% of Total Operating Services	19.0	19.9	20.7	19.2	18.5
Depreciation—% of Plant in Service (1)	7.36	6.98	6.32	7.29	7.57
Depreciation and Maintenance —% of Total Operating Revenues	37.7	37.3	36.8	37.4	38.6
Commercial, General Office Salaries and Expenses, and Other Expenses (*)					
Per Average Access Line	163.40	164.19	161.21	162.20	168.21
% of Total Operating Revenues	23.9	24.4	24.6	24.2	22.8
% of Operating Expenses Excluding all Taxes and Depreciation	51.6	50.9	50.0	51.7	51.0

(1) Average Plant in Service
(2) Ratio of Operating Expenses before Federal Income Taxes to Total Operating Revenues
(*) Because of a variance of accounting distribution methods these three items have been considered together

COMPARISON OF REPORTING COMPANIES BY GROUP CLASSIFICATION

Effective January 1, 1952, the Federal Communications Commission changed the classification of telephone companies as follows:

Class A. Companies having annual operating revenues exceeding $250,000.

Class B. Companies having annual operating revenues exceeding $100,000 but not more than $250,000.

REPORTING COMPANIES AND ACCESS LINES BY GROUPS

		Companies	Access Lines
1986	Bell Co's	24	97 007 100
	Class A	614	24 160 204
	Class B	12	4 271
	Total	650	121 171 575
1985	Bell Co's	24	93 944 709
	Class A	634	23 422 033
	Class B	19	7 507
	Total	677	117 374 249
1984	Bell Co's	24	91 486 998
	Class A	611	22 058 785
	Class B	20	10 129
	Total	655	113 555 912
1983	Class A	656	21 065 984
	Class B	22	10 685
	Total	678	21 076 649
1982	Class A	715	21 129 171
	Class B	39	16 414
	Total	754	21 145 585
1981	Class A	720	20 534 852
	Class B	48	26 084
	Total	768	20 560 936
1980	Class A	700	19 411 939
	Class B	65	37 257
	Total	765	19 449 196

COMPARISON OF REPORTING COMPANIES BY GROUP CLASSIFICATION

CAPITALIZATION
($000 Omitted)

	1986 Bell and Indept.	1985 Bell and Indept.	1984 Bell and Indept.	1986 Bell Only	1986 Indept. Only
Class A Companies					
Total Capitalization	$123 490 709	122 542 711	117 966 725	93 837 843	$29 652 866
% Funded Debt Bonds	16.0	12.6	11.8	11.6	30.2
% Other Long Term Debt	25.1	29.0	30.8	28.5	14.4
% Preferred Stock	.4	.8	1.1	—	1.7
% Common Stock	38.7	38.4	38.6	43.3	24.2
% Current Maturity (LTD) Short Term Notes	2.2	3.4	2.8	2.0	2.8
% Retained Earnings	17.5	15.9	14.9	14.6	26.6
Class B Companies					
Total Capitalization	$ 7 140	8 687	$ 11 797	—	—
% Funded Debt Bonds	—	—	—	—	—
% Other Long Term Debt	61.9	34.7	46.6	—	—
% Preferred Stock	1.0	.7	—	—	—
% Common Stock	10.9	8.5	7.0	—	—
% Current Maturity (LTD) Short Term Notes	.8	1.4	.6	—	—
% Retained Earnings	25.5	54.7	45.8	—	—

PLANT IN SERVICE AND DEPRECIATION RESERVE ($000 omitted)

Class A Plant	$212 358 023	199 968 000	186 138 297	164 633 991	$47 724 032
Depreciation Reserve	61 049 262	52 866 954	45 742 263	45 537 319	15 511 943
% Reserve	28.7	26.4	24.6	27.7	32.5
Class B Plant	$ 8 055	9 926	$ 12 905	—	—
Depreciation Reserve	3 293	5 122	5 809	—	—
% Reserve	40.9	51.6	45.0	—	—

COMPARISON OF REVENUES, EXPENSES AND NET OPERATING INCOME PER ACCESS LINE

	Class A and B Companies				Class A and B Companies			
	1986 Bell and Indept. A	1986 Bell Only A	1986 Indept. Only A	1986 Indept. Only B	1985 Bell and Indept. A	1985 Bell Only A	1985 Indept. Only A	1985 Indept. Only B
Operating Revenues								
Local Services	$297.86	307.95	257.38	143.78	292.11	299.81	260.36	$123.76
Network Access	221.94	210.65	267.25	147.04	215.77	206.33	253.31	108.00
Toll Service	106.73	100.52	131.59	189.08	104.60	97.36	133.48	178.47
Miscellaneous	61.26	55.18	85.72	30.29	65.15	60.97	81.87	21.94
Less: Uncollectibles	4.86	5.06	4.04	2.97	4.43	4.59	3.75	1.74
Total	$682.93	669.24	737.90	507.22	673.20	659.88	725.27	$430.43
Operating Expenses and Taxes								
Maintenance	$129.99	128.43	136.25	74.48	134.30	132.90	139.63	$ 76.18
Depreciation	127.17	121.91	148.30	98.46	116.84	110.25	143.11	75.72
Traffic	23.50	23.04	25.38	5.20	24.26	23.65	26.69	4.66
Commercial	54.55	55.76	49.72	29.36	51.14	51.92	47.87	31.36
General Off. Sal. & Exp.	47.52	44.66	58.94	102.93	48.32	46.77	54.42	65.04
Other	61.33	61.78	59.54	63.83	64.73	67.01	55.37	49.20
Taxes Other than F.I.	53.08	54.01	49.31	33.61	54.08	55.16	49.57	29.61
Federal Income Taxes	60.63	59.62	64.70	17.58	56.88	55.45	62.50	22.03
Total	$557.77	549.21	592.14	425.45	550.54	543.11	579.16	$353.80
Net Operating Income	$125.16	120.03	145.76	81.77	122.66	116.77	146.11	$ 76.63
Oper. Rev. per $1 of Plant (1)	$ .395	.401	.377	.286	.402	.410	.378	$ .320
Oper. Ratio Before F.I. Taxes (2)	72.8	73.2	71.5	80.4	73.3	73.9	71.2	77.1
Oper. Exp. & Taxes (Excl. F.I. Taxes per $1 of Plant (1)	$ .288	.293	.269	.230	.295	.303	.269	$ .247
Net Oper. Inc. per $1 of Plant (1)	.072	.072	.074	.046	.073	.073	.076	.057
Net Oper. Inc. per $1 of Depreciated Plant (1)	$ .100	.098	.109	.081	.098	.095	.110	$ .116
Maintenance — % of Plant (1)	7.52	7.69	6.95	4.19	8.03	8.25	7.27	5.67
Maintenance — % of Total Rev.	19.0	19.2	18.5	14.7	19.9	20.1	19.3	17.7
Depreciation — % of Plant (1)	7.36	7.29	7.57	5.55	6.98	6.85	7.45	5.63
Depr. and Maintenance % of Total Operating Revenues	37.7	37.4	38.6	34.1	37.3	36.8	39.0	35.3

(1) Average Plant in Service
(2) Ratio of Operating Expenses to Total Operating Revenues

R.E.A. LOAN ACTIVITIES
RURAL TELEPHONE PROGRAM

As of end of Month		Loan Approved (net) ($000)	Funds Advanced Cumulative ($000)	Number Borrowers	Number of Subscribers To Receive Improved Service	Number of Subscribers To Receive Initial Service	Number of Subscribers Total
December 1986	REA	$5 119 059	$4 375 928	1 000	1 909 845	3 683 653	5 593 498
	RTB	2 249 207	1 555 382	593			
December 1985	REA	4 937 212	4 133 786	999	1 900 190	3 599 783	5 499 973
	RTB	2 130 794	1 488 332	572			
December 1984	REA	4 741 862	4 002 328	1 001	1 850 871	3 546 202	5 397 073
	RTB	2 000 438	1 421 596	546			
December 1983	REA	4 539 571	3 819 768	1 002	1 835 859	3 394 563	5 230 422
	RTB	1 871 667	1 339 880	524			
December 1982	REA	4 326 561	3 639 548	994	1 812 556	3 305 961	5 118 517
	RTB	1 725 582	1 242 381	504			
December 1981	REA	4 076 323	3 415 708	978	1 764 016	3 150 062	4 914 078
	RTB	1 529 474	1 136 115	467			
December 1980	REA	3 844 840	3 150 443	962	1 692 092	3 027 195	4 719 287
	RTB	1 388 221	997 293	443			
December 1979	REA	3 606 093	2 892 056	954	1 657 622	2 882 568	4 540 190
	RTB	1 261 805	793 682	426			
December 1978	REA	3 354 379	2 674 843	942	1 615 965	2 754 298	4 370 263
	RTB	1 120 500	660 120	408			
December 1977	REA	3 034 007	2 526 906	930	1 544 766	2 573 780	4 118 546
	RTB	979 228	515 020	387			
December 1976	REA	2 851 239	2 370 610	922	1 488 386	2 418 197	3 906 583
	RTB	767 844	429 329	371			

BY TYPE OF BORROWER

December 1986						
Cooperatives	2 744 378	2 275 675	252	321 483	867 887	1 189 370
Commercial	4 415 291	3 492 907	781	1 535 633	2 729 477	4 265 110
Public Bodies	208 597	162 728	5	52 729	86 289	139 018
Total	7 368 266	5 931 310	1 038*	1 909 845	3 683 653	5 593 498

* Includes 34 borrowers that have loans only from RTB

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